

MCUGnikC

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK
3 -----x

4 NIKE, INC.,

5 Plaintiff,

6 v.

7 22 Civ. 983 (VEC) (SN)

8 STOCKX LLC,

9 Remote Conference

10 Defendant.

11 -----x
12 New York, N.Y.
13 December 30, 2022
14 9:00 a.m.

15 Before:

16 HON. SARAH NETBURN,

17 Magistrate Judge

18 APPEARANCES

19 DLA PIPER LLP (US)
20 Attorneys for Plaintiff
21 BY: TAMAR Y. DUVDEVANI
22 MARC MILLER
23 GABRIEL VELKES

24 DEBEVOISE & PLIMPTON, LLP (NYC)
25 Attorneys for Defendant
BY: MEGAN BANNIGAN
KATHRYN SABA

KILPATRICK TOWNSEND & STOCKTON LLP
Attorneys for Defendant
BY: ROBERT POTTER

MCUGnikC

1 (The Court and all parties present remotely)

2 THE COURT: Can I ask counsel for Nike to state their
3 appearance.

4 MS. DUVDEVANI: Yes, good morning, your Honor. This
5 is Tamar Duvdevani, DLA Piper on behalf of Nike, Inc., also on
6 the call are my colleagues Marc Miller and Gabriel Velkes.

7 THE COURT: Thank you.

8 And on behalf of StockX.

9 MS. BANNIGAN: Good morning, your Honor. This is
10 Megan Bannigan, Debevoise & Plimpton on behalf of StockX. With
11 me is my colleague Kathryn Saba. And I believe Rob Potter is
12 also on the line, but we should hear from him to be sure.

13 MR. POTTER: Good morning, your Honor.

14 THE COURT: Good morning. I hope everybody spent some
15 time during the holidays not reading or writing letters. I
16 hope everybody had a nice break.

17 Let me go over what I hope to accomplish today and
18 what I do not anticipate accomplishing today. My intention is
19 to go over the issues raised in the parties' recent letters
20 filed on December 23rd, some of which relates to the letters
21 that were filed on December 12th. I have read and reread all
22 of those.

23 What I do not intend to go over today are the issues
24 raised in the December 19th letters related to the disgorgement
25 and unjust enrichment discovery. Just so folks know and have

MCUGnikC

1 their expectations set, that's not going to be addressed today.

2 So let's jump in. Let me remind everybody that, as
3 you heard, we do have a court reporter on the line. To
4 facilitate her efforts, I'll ask that the lawyers state their
5 name each time that they speak so that the court reporter can
6 properly attribute statements.

7 So let's jump in and first address the issues related
8 to RFP 6, 74 and 75, which deal generally with documents
9 related to Nike's NFTs and digital sneakers. And I know that
10 there's a dispute about what is digital sneakers. But I
11 understand with respect to this discovery dispute that Nike has
12 not withheld documents on that grounds.

13 Can I just check with you, Ms. Duvdevani, is that
14 correct?

15 MS. DUVDEVANI: That's actually a Mr. Miller issue, so
16 I will defer to him on that one.

17 MR. MILLER: Yes, your Honor. This is Marc Miller on
18 behalf of Nike.

19 I think with respect to the issue that you just asked
20 about, yes, we are not withholding documents on the basis of
21 that objection. But I'm also happy to explain further the
22 basis and the reasoning behind our objection and why we're
23 narrowing the products that are at issue to products that are
24 related to NFTs, as opposed to other virtual goods that Nike
25 has offered in the marketplace through partners.

MCUGnikC

1 THE COURT: I'm happy to switch to that. I understand
2 that is notice topics 2 through 6, 14, 15, 17 and 18. So my
3 understanding of the distinction -- and you can correct me if
4 I'm wrong -- is that there are NFTs, which are squarely at
5 issue in this case. And then Nike has what are broadly being
6 called digital sneakers, which I understand are sneakers that
7 appear for use in video games or virtual reality games or
8 programs that are separate and apart from the NFTs which are at
9 issue in this case, which are in some ways like a piece of art.

10 Do I have a correct understanding of the scope of the
11 issues?

12 MR. MILLER: Yes, your Honor. That is basically
13 correct.

14 Nike has partnered with various video game developers
15 to make Nike branded virtual goods available in their games.
16 Those virtual goods are developed by those third parties, and
17 they're made available to users on those platforms.

18 One example is the popular video game Fortnite. Nike
19 partnered with Epic Games, the developer of that game, to make
20 Air Jordan footwear and apparel -- virtual versions of them --
21 available for players to purchase in game and basically have
22 their Avatar play in the Fortnite universe wearing those shoes
23 and apparel.

24 Those are not connected to NFTs in any way. They're
25 not sold by Nike. Nike simply has a partnership to allow use

MCUGnikC

1 of its brand in those games. There are other games that are
2 similarly situated. But none of those virtual goods relate in
3 any way to NFTs.

4 THE COURT: So your position is with respect to the
5 notice topics that you have not prepared a witness -- this
6 witness actually has testified already -- to answer questions
7 related to the non-NFT digital sneakers, the video games, the
8 VR, et cetera. And with respect to the document productions
9 that we discussed -- 6, 74 and 75 -- you either are not
10 producing those documents or you have produced everything and
11 there's just no such documents available. Is that correct?

12 MR. MILLER: So with respect to the 30(b)(6) topics,
13 your Honor, I believe both of the Nike witnesses, Mr. Child and
14 Mr. Ferris that were deposed a few weeks back were asked about
15 these partnerships and answered basic questions about them.
16 But as it relates to producing prices for those or producing
17 other documents related to the likelihood of confusion
18 factors -- which StockX has served several requests in addition
19 to the ones that your Honor identified -- we have not produced
20 documents that are responsive to those requests, as it would
21 relate to those virtual goods that are available in Fortnite
22 and sold by Fortnite, if that answers your Honor's question.

23 THE COURT: It does. Thank you.

24 Who from StockX is going to be responding to the
25 digital sneaker issues?

MCUGnikC

1 MS. BANNIGAN: This is Megan Bannigan, your Honor.

2 THE COURT: Thank you.

3 So tell me, why are these sort of avatar Nike shoes
4 related to this case.

5 MS. BANNIGAN: Thank you, your Honor.

6 StockX is specifically seeking this information
7 because Nike itself and consumers don't publicly distinguish
8 between virtual goods that are tied to NFTs and virtual goods
9 that are not.

10 THE COURT: Sorry to interrupt.

11 What is the basis for that proposition? How do you
12 know that?

13 MS. BANNIGAN: How do I know that? There are what few
14 different ways that we know it.

15 First, Nike's own witnesses have testified that Nike
16 is not going to actively market its virtual creations on its
17 new platform as NFTs and instead is actively avoiding the term.
18 I do believe if you go all the way to the terms of use or the
19 terms of service, you can see that it is NFT connected. But
20 they will be selling -- and by the way, I will leave this to
21 Nike, but this portion of the transcript, they might request be
22 sealed, I'm not sure -- but they're going to be offering
23 digital speakers, and I believe digital sneakers that
24 ultimately might be able to be worn on avatars in video games
25 that aren't tied to NFTs and are in fact very similar to what's

MCUGnikC

1 being offered in Fortnite, the example that Mr. Miller used.

2 And a consumer itself is not able to see this and distinguish,
3 this one is an NFT, this one is not tied to the NFT.

4 What we're looking at here is, is there trademark
5 infringement, is there likelihood of confusion. Will consumers
6 see StockX's NFTs and think that they come from Nike. We need
7 to compare what consumers are actually seeing. And there's no
8 evidence that consumers themselves say, well, that's a digital
9 sneaker, it has nothing to do with an NFT and there's no way
10 there can be confusion here or that there is confusion here.
11 We just need the full scope of what's going on to understand
12 and be able to fully assess the likelihood of confusion
13 factors.

14 StockX does not believe this is a big ask. What we're
15 simply asking for is, show us, what digital goods are you
16 selling, how are the marks used, what do the sneakers look
17 like. I don't think it's the super secret sauce in any way.
18 They're obviously available in the video games. We shouldn't
19 have to subpoena third party video games when Nike obviously
20 helped design what these digital goods look like and similarly,
21 what the digital goods will look like that they're going to put
22 out.

23 And so that's my response on why the digital sneakers
24 themselves are relevant. There's a little bit more to the
25 likelihood of confusion factors, but I take it your Honor wants

MCUGnikC

1 to address this issue of the relevancy of the digital sneakers
2 first.

3 THE COURT: You just made a burden argument to me.
4 And your discovery requests, as I understand them, seek all
5 products in all channels and information about each digital
6 sneaker that Nike has sold. So to the extent Nike has
7 significant relationship with Epic Games -- I don't know if you
8 are asking for every time a teenager purchased Air Jordans for
9 its Fortnite avatar, I don't know if that's what you're asking
10 for -- but it seems like you are asking for significant
11 discovery here.

12 MS. BANNIGAN: We actually don't view it that way,
13 your Honor. What we're looking for is what digital goods have
14 you sold. We're not looking for a record of every transaction
15 and every time digital Air Jordans has been sold to a teenager.

16 What we're looking for is what designs have been sold,
17 what products have been for sale. We don't need this has been
18 sold to Mr. Smith, this has been sold to Mr. Doe. It's what do
19 the products look like? What are you selling? What are the
20 offerings? It should be something that is easy to pull.

21 We don't know -- I mean, what we do know at this point
22 from the summary presentations that we've received is that some
23 kind of digital sneakers were sold or available for sale on
24 Roblox and on Fortnite. We have no idea what those sneakers
25 looked like, were there different styles. That's what we're

MCUGnikC

1 looking for more information about. I am happy to meet and
2 confer with Nike on what's reasonable, to the extent we can get
3 past this are we entitled to any of it.

4 THE COURT: Thank you.

5 Mr. Miller, anything further?

6 MR. MILLER: Yes. Thank you, your Honor.

7 What I would like to remind the Court, your Honor, is
8 that this case is about StockX's unauthorized use of Nike's
9 trademarks with the sale of NFTs. Nike has also sold NFTs that
10 bear the asserted trademarks and those are the relevant
11 products that are at issue and the relevant comparators with
12 respect to the likelihood of confusion factors that will
13 ultimately decide the outcome of the trademark infringement
14 claim.

15 The historical use that Nike has made with respect to
16 partnering with Epic Games and other companies like that to
17 make its goods available in the virtual realm is backdrop to
18 Nike's use of its marks in both the physical and virtual
19 realms, but it's really not the relevant products that are at
20 issue. And your Honor is correct that the burden that StockX
21 seeks to impose here, to basically have us provide documents
22 and witnesses to testify about these products and these
23 partnerships would be immense and is really just not -- we
24 don't see that as being justified, given the basically no
25 relevance of these products to the issues that are really at

MCUGnikC

1 hand in this case.

2 THE COURT: Thank you.

3 Can I confirm, Mr. Miller, that you have produced
4 responsive documents in connection with Nike's own NFTs.

5 MR. MILLER: Yes, your Honor.

6 MS. BANNIGAN: I'm sorry, your Honor, to interrupt.
7 We disagree with that.

8 So there is more on the NFT side that I would like to
9 say.

10 THE COURT: Let's table that for a second.

11 With respect to StockX's request for discovery into
12 what we have been broadly referring to as digital sneakers, VR
13 sneakers, sneakers that are being used in video games, I am
14 going to sustain Nike's objections. I think that moving into
15 the realm of non-NFT digital sneakers is too far removed from
16 the issues at play in this case, which do focus on NFTs and
17 extending into another chain of commerce, essentially, into
18 this interactive digital world is beyond the scope of this
19 litigation. So I'm going to sustain Nike's objections there.

20 Ms. Bannigan, do you want to speak on the question of
21 whether Nike has produced responsive documents of its NFT
22 program?

23 MS. BANNIGAN: Yes, your Honor.

24 This relates to RFPs numbers 6, 74 and 75, relevant to
25 the likelihood of confusion considerations. And so what Nike

MCUGnikC

1 has -- here, we're looking at what are the NFTs that Nike has
2 put out or will put out and what are the historical prices of
3 those NFTs or the digital goods attached to the NFTs. And we
4 have not received specific information about either of those
5 categories.

6 With respect to NFTs, we have received broad
7 information that there have been NFTs that have used Nike
8 asserted marks or that there will be NFTs that use Nike
9 asserted marks. But what we haven't received specifically is
10 how have those asserted marks been used.

11 Here, Nike is claiming that StockX is infringing its
12 trademarks based on the way StockX allegedly is using Nike's
13 asserted marks. We need to see what do the NFTs that Nike is
14 selling look like or what do the NFTs that Nike plans to sell,
15 what will they look like, how are they using the mark.
16 Similarity of the mark is obviously a big factor with
17 likelihood of confusion and how they're being used. So that's
18 something we see as very important. We have received several
19 presentations saying that these NFTs do exist. What we haven't
20 seen is what the NFTs look like. And we don't believe that
21 that is a big thing to ask for.

22 The second thing is historical prices. Nike has sold
23 NFTs through RTFKT. We have gotten information about the price
24 floor for these NFTs. But what we haven't received is the
25 actual range of -- the range of prices or what price these are

MCUGnikC

1 actually selling for.

2 And as an example, one of the documents Nike produced
3 indicates that the price floor for the Cryptokicks NFT is .25
4 to 80 ETH cryptocurrency. So it's not only problematic that
5 Nike has provided only the price floors and that the average
6 price as a range of prices, but that price floor is actually
7 incredibly broad. Just yesterday, I did the calculation, and
8 one ETH was worth about \$1,200, so that means this range of .25
9 to 80 ETH is around \$300 to \$95,000. And so essentially what
10 Nike has produced tells us nothing about the prices of these
11 NFTs. So we need more information there to really assess the
12 proximity, which is one of the likelihood of confusion factors.

13 THE COURT: Mr. Miller.

14 MR. MILLER: Yes, your Honor.

15 Nike disputes Ms. Bannigan's recapping of the record.
16 We have most certainly produced documents responsive to these
17 three RFPs. We have produced captures of the Nike -- the Nike
18 through RTFKT NFTs that have been what's called air dropped to
19 holders of an RTFKT NFT. And there's various different titles
20 of those NFTs that have both RTFKT and Nike branding on them.
21 The reason I say air dropped is because they were given to
22 holders of what's called the CloneX NFT, which is an RTFKT
23 product. So they were not necessarily sold at a price, but
24 they were air dropped to holders of those NFTs, and then they
25 have been subsequently traded on platforms like OpenSea.

MCUGnikC

1 We have captured screenshots from OpenSea. We have
2 produced those. We have produced other documents that show the
3 historical prices of those Nike RTFKT NFTs. We've produced
4 documents related to future plans, future drops.

5 So I'm not sure what else it is that StockX believes
6 it needs. But from Nike's perspective, we have met our
7 obligations. We have produced the documents that are
8 sufficient to show the various topics that were requested. We
9 are not withholding additional documents. The NFTs that have
10 been released by Nike and RTFKT are openly traded on OpenSea.
11 So if StockX wants to check the price, it certainly can go on
12 OpenSea and check the price and take a capture if it believes
13 it's relevant to something in the case. But we have produced
14 what we believe to be responsive and necessary.

15 THE COURT: Can you speak specifically to the issue
16 that Ms. Bannigan raised about a not helpful range of prices
17 and whether or not there is more detailed price information
18 that you can provide.

19 MR. MILLER: I don't know the specific document
20 Ms. Bannigan was referencing when she talked about the range,
21 your Honor. But as I mentioned, the NFTs that have been
22 essentially distributed to the public from Nike and RTFKT are
23 traded on OpenSea and NFTs are available on the blockchain, all
24 the transaction history is available on the blockchain. So if
25 you were to pull up one of these NFTs on the OpenSea platform

MCUGnikC

1 and click the transaction history, you can view everything
2 about the transaction history.

3 And again, just to remind the Court, Nike didn't sell
4 those NFTs in the first instance. They were air dropped or
5 essentially given away for free to holders of a CloneX NFT. If
6 those owners decided to subsequently trade them for some value,
7 that value is recorded on the blockchain and publicly
8 available.

9 I think that information is out there. We have taken
10 screenshots of all the NFTs that we believe are out on the
11 marketplace and produced them. But the blockchain is a living
12 ledger of transactions, your Honor, and we have not taken a
13 screen capture of the transaction history for all of the
14 subsequent days that those have been traded on the marketplace,
15 but those are certainly available in the public realm.

16 THE COURT: I am satisfied --

17 MR. MILLER: I'm sorry. Go ahead, your Honor. I'm
18 done.

19 THE COURT: I'm satisfied that Nike satisfied its
20 obligation here.

21 Obviously, if there are specific documents,
22 Ms. Bannigan, that you believe Nike has, you can identify those
23 specific documents. But based on Mr. Miller's presentation, it
24 sounds like nothing has been withheld, everything available has
25 been produced and the type of information that you are seeking,

MCUGnikC

1 specifically related to pricing, is publicly available. So I'm
2 going to sustain Nike's objections there.

3 MS. BANNIGAN: Thank you, your Honor.

4 I have just one more comment, which is we haven't been
5 able to locate all of the screenshots. So to the extent
6 they're able to give us Bates numbers that would be very
7 helpful so we can evaluate this.

8 And the other thing I would say is with respect to the
9 transaction history, it is extremely burdensome to have to go
10 to every NFT to look up the transaction history publicly. To
11 the extent Nike has documents available which they could easily
12 produce, that's essentially what we're looking for. But if
13 Nike is saying they don't track the price and they don't have
14 the information about the price, that's one thing. But to the
15 extent they do keep this information, we see no reason that
16 they shouldn't have to produce it.

17 THE COURT: We'll take the easiest one first.
18 Mr. Miller, can you, after today's conference, let StockX's
19 lawyers know the Bates numbers of the NFT screenshots that you
20 have produced?

21 MR. MILLER: Yes, your Honor. We can do that.

22 THE COURT: And then with respect to the second
23 question, does Nike monitor or maintain information about how
24 these NFTs are being traded on the open market?

25 MR. MILLER: Yes, your Honor. And it's also my

MCUGnikC

1 understanding that we have produced -- what I was going to add
2 before, when I was cutting off your Honor -- we had produced a
3 historical price tracking record from RTFKT.

4 THE COURT: Can you also identify that by Bates number
5 when you provide the other information.

6 MR. MILLER: Yes, your Honor.

7 THE COURT: Let's move on to issues related to Nike's
8 investigation into the StockX counterfeits. These are RFPs 64
9 through 66. I understand that Nike takes the position that it
10 has produced all responsive documents and StockX takes the
11 position that that is not possible because it hasn't identified
12 any documents to support its chain of custody burdens or
13 identified the people who are involved in that investigation.

14 Ms. Bannigan, are you going to take the lead for
15 StockX on this question?

16 MS. BANNIGAN: Yes, your Honor.

17 THE COURT: Have I correctly assessed the state of
18 play here?

19 MS. BANNIGAN: Yes, your Honor.

20 The issue here is we haven't received enough
21 information about the actual investigation to fully explore
22 what the investigation entailed, who conducted it and to let us
23 explore whether there's any additional discovery we need.

24 THE COURT: I understand that Nike's position -- which
25 I will probe in a minute -- is that it has produced everything

MCUGnikC

1 that it has. Sometimes one party thinks it's surprising that
2 more documents are not available, and the other side says,
3 that's just the reality.

4 Do you have any basis to believe beyond your own shock
5 that there are more documents available? Meaning, have you
6 seen other documents that reveal that there are documents that
7 haven't been produced?

8 MS. BANNIGAN: Well, your Honor, for example, Nike has
9 produced a spreadsheet that catalogs 200 test purchases from
10 StockX and GOAT, which is another third-party platform, such as
11 product style and color and order number, QR code data and
12 whether the sneakers were flagged as counterfeit. What the
13 document doesn't have is a listed author or any identifying
14 information as to who actually conducted the examination of
15 each pair of sneakers. And we think that that information has
16 to exist somewhere. There has to be some kind of information
17 that shows who conducted the investigation and who put together
18 this document. It didn't just come and appear out of thin air.
19 So we don't know if there's a specific document that says X
20 person conducted the investigation. There has to be some kind
21 of information to provide this information to us.

22 THE COURT: Who from Nike is going to take the lead on
23 this issue?

24 MR. MILLER: Yes, your Honor.

25 Before I respond, your Honor, I just wanted to note

MCUGnikC

1 that Nike does consider discussions about its
2 anticounterfeiting and brand protection efforts to be super
3 highly commercially sensitive. I don't know if there are
4 members of the public on the teleconference line, but we would
5 certainly like to have this portion sealed and I suppose would
6 like to know if there are members of the public that are
7 listening in before we get into that detail.

8 THE COURT: With respect to whether there is anybody
9 else listening in, I no longer have the capacity to determine
10 that, so I don't know the answer to that question. If anybody
11 is listening in and is a member of the public, and wants to
12 speak up, they can identify themselves, but I don't know of
13 anybody who is on.

14 I may be able to answer some of the question. I can
15 see now who is on the line.

16 I can see Ms. Bannigan's name appears. Ms. Bannigan,
17 you are on a 609 area code phone number?

18 MS. BANNIGAN: Yes, your Honor.

19 THE COURT: We'll do a quick phone call.

20 We have somebody calling in from a 310 number.

21 MS. VELKES: Yes, your Honor. That's me, Gabriel
22 Velkes.

23 THE COURT: And 646, there's just one of you here.

24 MS. SABA: That's Kate Saba, your Honor.

25 THE COURT: 973.

MCUGnikC

1 MR. MILLER: That's Mr. Miller, your Honor.

2 THE COURT: Just one of you with a 917.

3 MR. POTTER: That's Robert Potter, your Honor.

4 THE COURT: I've got my law clerk on the line. I have
5 the court reporter on the line.

6 And an 845 number.

7 MS. DUVDEVANI: Your Honor, that's Tamar Duvdevani up
8 in the Catskills.

9 THE COURT: Now I can tell you there's nobody else on
10 the call other than the people who have identified themselves,
11 my law clerk and the court reporter.

12 MR. MILLER: Thank you, your Honor.

13 THE COURT: You're welcome.

14 So to the extent we need -- why don't you see if you
15 can continue speaking without having to put something under
16 seal. Obviously, as you know from our last conference, that is
17 possible. But let's see if we can just have this
18 conversation -- I know we're going to be talking about the
19 redacted documents -- but right now, we're just talking about
20 investigations.

21 So I think there's two different categories here.
22 There is the specific investigation into StockX's counterfeits
23 and there are allegations about certain buyers from StockX that
24 Nike has been in touch with and identifying orders with a
25 question about chain of custody with respect to those actual

MCUGnikC

1 shoes that were purchased and who conducted the investigations
2 with respect to those purchases, and then more generally
3 investigations into other secondary market providers. And
4 Ms. Bannigan referenced an investigation and documents that
5 were produced in connection with a GOAT and StockX
6 investigation. It sounds like documents have been produced,
7 but there's a question about who authored that study and who
8 was involved in it.

9 MR. MILLER: Yes, your Honor. First, thank you on
10 behalf of Nike for checking to see who was on the line. We
11 certainly appreciate the Court indulging our efforts to
12 maintain our client's confidential information here.

13 So with that, I will try to address the Court's
14 questions. I think it might be helpful just to give a little
15 bit of context. There are different categories, as your Honor
16 noted, of counterfeit pairs of shoes that have sort of become
17 at issue in this case. There are, first, the four pairs of
18 shoes that were purchased by Nike's investigators as part of
19 the larger test purchase that Ms. Bannigan mentioned. Nike has
20 produced all of the nonprivileged responsive documents that are
21 related to those four pairs of shoes. We have identified the
22 relevant individuals at Nike through interrogatory responses
23 that are knowledgeable on that test purchase and those shoes.
24 We have disclosed who Nike's investigators, the outside
25 investigators were, in our initial disclosures. So our view on

MCUGnikC

1 that is the production is complete.

2 If StockX is interested in knowing who authored the
3 Excel spreadsheet that sort of catalogs the investigative work
4 once those products reached Nike, I suppose we can do that.
5 The individuals that have been identified in our
6 interrogatories and on our initial disclosures and are up for
7 depositions are those people. So they will have a chance to
8 speak with them.

9 The other two categories of counterfeit goods at issue
10 are -- I believe it's roughly 38 pairs that were purchased by
11 Roy Kim, who is a third-party consumer, Nike never had
12 possession of those goods, so we don't have any chain of
13 custody information to produce on that. That information is
14 entirely within StockX's possession and the possession of
15 Mr. Kim.

16 Nike's brand protection team visited Mr. Kim, looked
17 at his shoes, documented our findings. We produced a
18 spreadsheet related to that. Again, we can identify -- to the
19 extent not already identified in the interrogatory responses --
20 who the author of that spreadsheet is. But we don't have any
21 documents to produce beyond that on Mr. Kim's goods.

22 And the last pile of counterfeit goods at issue that
23 we're aware of at this point are those that were purchased by a
24 company called Zadeh Kicks and its principal, Michael
25 Malekzadeh, again, a third party. Those goods are in the

MCUGnikC

1 custody of law enforcement in Portland. The information that
2 related to chain of custody, again, Nike did not have chain of
3 custody over those goods. That information, again, resides
4 with StockX or with Mr. Malekzadeh or the Zadeh Kicks receiver
5 who is essentially holding all of the assets of that business.
6 Nike's brand protection team visited the warehouse with law
7 enforcement, reviewed the shoes, documented the findings. And
8 we produced that spreadsheet as well. But those are all the
9 documents we have relating to those.

10 I hope that answers your Honor's question. But if
11 not, I'm happy to address anything further.

12 THE COURT: Given your offer, I think it is
13 appropriate, to the extent you haven't identified the authors
14 or investigators of the Kim investigation and the Zadeh Kicks
15 investigation, if you can both remind StockX of the Bates
16 number of the spreadsheets and simultaneously identify the
17 authors and investigators who are involved in those
18 investigations. It sounds like they're going to be deposed,
19 but to let them know in advance who all is involved. And the
20 same is true with respect to the test purchases that you
21 referenced.

22 MR. MILLER: Yes, your Honor. We can do that.

23 THE COURT: Ms. Bannigan, anything additional that you
24 believe should have been produced that has not been produced?

25 MS. BANNIGAN: With respect to the test purchases, we

MCUGnikC

1 just want to confirm that the information we're going to
2 receive goes beyond the four pairs of shoes that Nike claims
3 that they identified as counterfeit. Our understanding is that
4 there were at least 200 test purchases that were involved in
5 that investigation and that some of the purchases were
6 originally identified as counterfeit, but then were found not
7 to be based on a visual inspection. And so the information we
8 are looking for is who conducted that entire investigation, not
9 just limited to the four pairs of shoes. We want to be able to
10 explore the entire investigation. So to the extent Mr. Miller
11 and Nike will provide encompasses that, thank you very much.

12 THE COURT: Mr. Miller, does it cover all of the
13 purchases?

14 MR. MILLER: Let me just confer with my team, your
15 Honor. One moment.

16 MS. BANNIGAN: And then once Mr. Miller confirms, I
17 just have one more question just for the record.

18 MS. DUVDEVANI: Your Honor, I think I can answer this
19 one.

20 Just to recap what Ms. Bannigan said regarding that
21 there were four pairs of counterfeits, and then we re-examined
22 and then we -- or six pairs, and then there were only four
23 pairs, so she's looking for information on the additional two.
24 I think I discussed that at the last conference. That's not
25 true. They're mischaracterizing the documents that we

MCUGnikC

1 produced. But we produced those documents.

2 And as I mentioned at the last conference, to the
3 extent they really want to test that theory that we thought
4 there were six and then there were four, they have the deponent
5 to ask about that. So the information has been produced.

6 To the extent Ms. Bannigan is asking for detailed
7 information about all 200 pairs, including products that were
8 not determined to be counterfeit, I would want to make sure
9 that that is not what is being sought here, because that would
10 be information that we would object to as not relevant. But
11 with regard to the two additional pairs that were just
12 mentioned, yes, we produced information about that. And it's
13 going to be the same individuals on initial disclosures that
14 they can ask about those products as well to confirm that they
15 have an incorrect understanding of what actually happened with
16 those two pairs.

17 THE COURT: Now, why would it not be relevant if Nike
18 purchased 200 shoes from StockX to see whether or not they were
19 counterfeit and determined that only one percent or two percent
20 were, why would that not be relevant?

21 MS. DUVDEVANI: I apologize, your Honor, it was 100
22 pairs. I don't know why it changed that into 200 pairs.

23 But our view, and frankly, the view of Judge Caproni
24 when this came up briefly during a conference in front of her,
25 that they're not relevant. This case is about counterfeit

MCUGnikC

1 shoes, counterfeiting is strict liability.

2 It might be relevant to the extent they have some
3 theory they have not articulated properly. But right now,
4 what's relevant is the fact that Nike did test purchases over a
5 very short period of time. And of those test purchases, four
6 shoes were determined to be counterfeit.

7 We certainly have produced the information that those
8 four purchases were from a group of 100. We produced the dates
9 that those products were purchased by Nike's investigator. So
10 to the extent that StockX is trying to make some sort of theory
11 that, it ain't so bad to sell four counterfeits out of a
12 hundred over a two-month period, they have the information they
13 need.

14 To the extent they're looking for detailed information
15 about each category of shoe, each order number, et cetera,
16 that's where we believe that the burden there outweighs any
17 potential relevance to those details.

18 THE COURT: What is that burden?

19 MS. DUVDEVANI: They even have order numbers, I
20 believe, actually, so I take that -- I don't know what else
21 they are looking for, your Honor, so I don't know what the
22 burden is. Because at this point, we believe that we have done
23 a fairly comprehensive production of those test purchases. And
24 we have put our two outside investigators on our initial
25 disclosures. They are certainly capable of noticing those

MCUGnikC

1 depositions. They have not done so yet. But as we mentioned,
2 the brand protection specialists that were overseeing those
3 investigations are slated for deposition already.

4 If StockX thinks they need something more about those
5 90 odd pairs of shoes that were determined to be genuine, they
6 should talk to us about what they think they're missing.

7 MS. BANNIGAN: We have been trying to talk to Nike
8 what we think we're missing. And we have said it over and over
9 again. We're looking for who conducted the scans, who
10 conducted the visual inspections, and were there any other
11 sneakers, apart from the six that we have referenced, that were
12 visually inspected.

13 I do think Ms. Duvdevani is mischaracterizing some of
14 the emails and some of the previous arguments. This isn't
15 something that went to Judge Caproni before. And really, to
16 the extent they're putting this investigation at issue, just
17 provide the information about who conducted the investigation;
18 who did the scans and the individual inspections.

19 THE COURT: Thank you.

20 MS. BANNIGAN: There has also been a repeated
21 reference to Nike's brand protection team and the role that
22 Nike's brand protection team has played in this. So far we
23 have been given only two names from Nike's brand protection
24 team. So the other clarification that we're seeking is, is it
25 simply just these two people who have been named in disclosures

MCUGnikC

1 and interrogatories that did all of this work from Nike's brand
2 protection team. We don't believe that they're the ones who
3 did the scan, so that's a separate issue. But those are the
4 two open issues. Thank you, your Honor.

5 MS. DUVDEVANI: Your Honor, there are three
6 individuals, all of which have been offered for deposition.
7 We're just trying to schedule the last one, a woman named Laura
8 Rizzo. So I don't know why Ms. Bannigan believes there are
9 just two. We have produced this information. We have
10 explained -- everything documentary that we have has been
11 produced.

12 We just indicated that to the extent they are looking
13 for the individuals that actually interacted with Allegiance
14 and Core Search, the investigators outside of Nike that helped
15 with those investigations, we'll tell them who it is and
16 they'll have them for deposition.

17 At this point, your Honor, I just don't understand
18 what else Ms. Bannigan believes is missing. I really don't.
19 It behooves Nike to produce this information.

20 THE COURT: It sounds like Nike has not produced the
21 full scope of its test purchase investigation, so I am going to
22 direct Nike to do that. I don't think it's appropriate to
23 limit the production only to those shoes that were found to be
24 counterfeit, especially, I think, given the willfulness
25 argument that's being raised here. So to the extent the full

MCUGnikC

1 scope of those 100 purchases has not been produced, that
2 investigation material should be produced.

3 With respect to the other investigations, it sounds
4 like everything that is in Nike's possession has been produced,
5 with respect to the Kim and Zadeh Kicks investigation.

6 MS. DUVDEVANI: Your Honor, again, we have produced
7 everything in Nike's possession. It is possible that our
8 outside investigators have additional pictures of the
9 additional test purchases. We can work with them to see if
10 they have those. Other than that, there's no additional
11 custodial documents that Nike has not produced.

12 THE COURT: I want you to go back and just double
13 check because, Ms. Duvdevani, you started the presentation here
14 today that you thought the burden outweighed the relevance.
15 Then you said that you weren't actually sure what that burden
16 would be. And now you are saying you have produced everything.
17 So I'm not quite sure where things land.

18 But so the record is clear, you are directed to
19 produce all of the investigative documents from Nike's test
20 purchases of StockX products, not just those shoes that were
21 deemed to be counterfeit.

22 MS. DUVDEVANI: Understood, your Honor.

23 And by burden, it was that issue of going back to the
24 investigator and seeing if they still have pictures of the
25 other hundred or so pairs that were produced. We will go ahead

MCUGnikC

1 and do that. Thank you, your Honor.

2 THE COURT: Thank you.

3 My next category are documents related to Nike's
4 potential acquisition plans of StockX or its designation of
5 StockX as an official seller. These are RFPs 84 to 85. Nike,
6 I think, says both that it has produced documents, but it
7 doesn't think the documents are relevant.

8 Why don't we start with StockX on this question here.
9 So tell me why these documents are relevant.

10 MS. BANNIGAN: Thank you, your Honor.

11 So Nike contends that StockX is a willful
12 counterfeiter, that it knowingly created this safe haven for
13 counterfeiting by the way in which its website has been built
14 and operates. If Nike itself has documents contradicting these
15 claims about StockX's website as a safe haven for
16 counterfeitors, so much so that it considered partnering with
17 StockX or even investing in or buying StockX, that's extremely
18 probative here in terms of whether StockX's entire website was
19 built to provide a safe haven for counterfeits, which is the
20 language that Nike used at our last conference.

21 There are documents that StockX considered making --
22 excuse me, Nike considered making StockX a partner for
23 authentications. Nike has said that it's not withholding any
24 documents. But I think throughout all these requests that we
25 have been discussing, Nike says that it's not withholding

MCUGnikC

1 documents, but it hasn't said that these documents don't exist.
2 And there has been a concern all along about whether Nike is
3 truly looking and collecting from the right sources. It's been
4 an issue that we have been raising for months now. So what we
5 want to make sure is that, to the extent these documents exist,
6 they're extremely probative and we're actually getting them and
7 looking in the right places for them.

8 THE COURT: Let me see if I understand what you are
9 seeking.

10 And I'll note that I think somebody else has joined
11 our call. Somebody just joined from a 917 --

12 MS. DUVDEVANI: Yes. Sorry, your Honor. That's Tamar
13 Duvdevani. I have an old school cordless phone in my mountain
14 home, which was about to die, so I hung up and dialed in on my
15 cell phone, so that's just still me.

16 THE COURT: Okay.

17 So I interpret the discovery request as seeking all of
18 the information that Nike pulled internally about its decision
19 about whether or not to formally connect with StockX, whether
20 by acquisition or some sort of partnership. And presumably,
21 that consideration on Nike's part involved a number of concerns
22 and questions. Obviously, counterfeiting would have been one
23 of them, though I assume there were lots of things Nike was
24 considering in deciding whether to do that. And we know, as
25 evidenced by today's lawsuit, that that relationship did not

MCUGnikC

1 formalize. And so I have two separate concerns.

2 Concern number one is I'm not sure that StockX is
3 entitled to all of the internal thinkings of Nike about whether
4 or not to formally partner with StockX, which could be totally
5 unrelated to counterfeiting concerns. So that's concern number
6 one.

7 And concern number two is that there's the possibility
8 of this trial within a trial, where evidence is being presented
9 about why Nike ultimately abandoned the idea and whether it was
10 because of these counterfeiting concerns or for some other
11 reasons and sort of what role the counterfeiting concerns may
12 have played. And I don't think Judge Caproni wants to have
13 that mini-trial within this case. So those are my two concerns
14 here.

15 Can I ask Ms. Bannigan to address both of those.

16 MS. BANNIGAN: Thank you, your Honor.

17 To the extent that there is information out there
18 saying StockX is a reliable partner, that their website is
19 reliable, it is saying it's a good website for authentication.
20 I don't know personally what documents exist. That is highly
21 probative of whether the website is a safe haven for
22 counterfeitors.

23 So StockX agrees with your Honor that not every reason
24 that Nike might not have partnered with StockX is probative to
25 that. But what is probative is what did they think of the

MCUGnikC

1 website and the reliability of the website. It might not
2 necessarily say the word counterfeit, but is this a reliable
3 website. We've seen documents that that analysis was done. So
4 I agree with your Honor that we don't want to make this a trial
5 within a trial, but we do have to find a way to -- what the
6 analysis was on reliability and authentication of the website
7 because it is so probative to willfulness here. There's a lot
8 at stake, in terms of willfulness and StockX's business.

9 So we're happy to work with Nike on how to get this
10 information. It can be deemed highly confidential. I don't
11 know that I necessarily agree that it would turn into a trial
12 within a trial because I don't think the issue would be why
13 they didn't partner. They would have partnered -- I don't
14 think we see it as an issue where it is going to be about why
15 they did or did not partner. It's what did that result say and
16 what were they thinking about the website at the time.

17 THE COURT: Do you know whether or not Nike was
18 granted access into the inner workings of the StockX website?
19 Meaning, was there a due diligence process where they were able
20 to look under the hood and evaluate?

21 MS. BANNIGAN: They were granted access to StockX's
22 authentication center and they were given information about how
23 the authentication process runs. What it means to be granted
24 under the hood of the website is a bit of a misnomer, because
25 everything is through the website, everything that's

MCUGnikC

1 authenticated goes through the website, and I believe the
2 complaints about the website is that it's anonymized. I think
3 there were some others that Ms. Duvdevani and Mr. Miller
4 raised. The short answer is, yes, they were given inside
5 information about how these processes work and they visited an
6 authentication center in London, I believe, in 2019.

7 THE COURT: Who from the plaintiff is going to respond
8 to these questions?

9 MR. MILLER: Yes, your Honor. This is Mr. Miller. So
10 a few points in response.

11 First, we share your Honor's concerns that you
12 expressed that this issue is essentially a sideshow and is
13 going to create a trial within a trial about an issue that's
14 really not relevant with respect to StockX's willfulness.
15 Whatever Nike thought or did not think about StockX has nothing
16 to do with whether StockX knew that it was selling counterfeits
17 and knew that it was deceiving the public with its advertising
18 claims.

19 Second of all, with respect to the past pilot program
20 that the parties engaged in in the 2019 and in an earlier
21 period leading up to that, your Honor, that was specifically
22 with respect to some anticounterfeiting efforts. And Nike has
23 produced documents related to that. We, I believe, don't have
24 anything left to produce on that subject.

25 Finally, with respect to StockX's stated concern that

MCUGnikC

1 Nike has not looked in the right places. We disagree strongly
2 with that, your Honor. We have the looked in the right places.
3 We have spoken to the right people at Nike. We have collected
4 documents from the right people and we have produced whatever
5 we believe would be relevant and responsive to this case. I
6 don't believe that we've seen anything in the documents that we
7 have collected and reviewed that have anything to do with Nike
8 either acquiring or investing in StockX. And I don't believe
9 that there's been any plans or proposals to make StockX an
10 official reseller of Nike's products either.

11 And again, to the extent that there was for some
12 business reason, I don't think that has anything to do with
13 what's at issue in this case, with respect to counterfeiting
14 and false advertising and willfulness.

15 THE COURT: It sounds like you did produce some
16 documents in connection with the efforts to prevent
17 counterfeiting. And Ms. Bannigan referenced a 2019 visit to
18 its authentication center. Have you produced any internal
19 documents related to Nike's evaluation of that authentication
20 center or its authentication process more generally?

21 MR. MILLER: Yes, your Honor, I believe that we have.
22 I don't have at my fingertips every document that we have
23 produced. But certainly, we had a discussion and a
24 meet-and-confer with StockX fairly earlier on -- several months
25 ago at this point -- related to the past partnership or pilot

MCUGnikC

1 program that the a parties had entered into back in the 2019
2 and sort of the years leading up to that. And we went back to
3 the 2017, I believe, and we searched for documents related to
4 that partnership. We went beyond our identified custodians to
5 the individuals that were involved in that project. And we
6 pulled documents from them, reviewed them and produced what was
7 essentially responsive and relevant to the request that we were
8 discussing at the time. In a general sense, yes, we have
9 produced what we have related to that pilot project.

10 THE COURT: So the record is clear, I am going to
11 direct Nike to produce documents related to any due diligence
12 it did with respect to StockX as a partner on its
13 anticounterfeiting efforts. Mr. Miller, suggests that such
14 documents have been produced. And if that is true, then it has
15 satisfied its obligations. But I do think that StockX is
16 entitled to Nike's evaluation in real time as it had accessed
17 the information to StockX's authentication and
18 anticounterfeiting efforts.

19 But with respect to questions more broadly about
20 Nike's interest in acquiring StockX or designating it as some
21 sort of partner, those documents are beyond the scope of the
22 case and not relevant.

23 We are more than halfway done, but we still have a bit
24 to go. Let me check with our court reporter to see whether she
25 needs a break or whether we can keep going. Everybody else can

MCUGnikC

1 just work through it, but the court reporter is working all the
2 time.

3 I think that covers my first very detailed page of
4 notes. I am turning to my second very detailed page of notes.
5 Let's turn to documents in connection with Nike's reputation.

6 I understand that StockX is arguing that Nike's
7 reputation globally is relevant if it is being accused, if
8 Nike -- excuse me -- if StockX is being accused of having
9 tarnished that reputation. And Nike's argument is, as I
10 understand it, that it can't be that any harm to Nike's
11 reputation can be relevant. And parties were using examples
12 like Nike having sponsored athletes who subsequently became
13 controversial or allegations about sweatshop labor.

14 So why don't we begin, again, with you, Ms. Bannigan,
15 since these are your requests.

16 MS. BANNIGAN: I'm going to begin this with Mr. Potter
17 this time, your Honor.

18 THE COURT: Mr. Potter.

19 MR. POTTER: I am happy to address this. I think you
20 sort of summarized it very accurately.

21 They put in a claim for tarnishment of their
22 reputation, for injury to business reputation. And they have
23 alleged prominently throughout their pleadings that their
24 reputation is perfect, is fantastic and is strong and they're
25 well regarded. Nike is a global company that's been involved

MCUGnikC

1 in a number of public issues over the years. And to the extent
2 that their claim here is that somehow StockX has failed
3 allegedly -- allegedly counterfeit sneakers has harmed the Nike
4 brand in some kind of actionable way, when this list, this
5 laundry list of scandals and individuals who have been involved
6 in scandals that Nike has at one time sponsored or been
7 associated with, if that hasn't impacted their reputation
8 negatively, it's hard to believe that StockX's sale of sneakers
9 or its introduction of NFTs bearing images of Nike shoes has
10 harmed its reputation. So that's all we want to try to do, is
11 sort of get a baseline here.

12 If Nike's reputation has been harmed by something like
13 StockX's conduct, Nike can prove that, as is its burden to do.
14 They ought to be able to also show what harm it has sustained,
15 if any, from all of these other issues that seem -- at least as
16 a matter of common sense -- to affect public perception as
17 much, if not more, than the alleged StockX conduct.

18 THE COURT: So a couple of things, one is I think your
19 comment about common sense, the reference to common sense is
20 critical here. Because, presumably, the trier of fact -- I
21 think this will be before a jury, but I don't recall anymore --
22 will be asked to use their common sense on these types of
23 questions.

24 But more specifically, Nike, as a global company deals
25 with controversial concerns probably on a daily basis. It

MCUGnikC

1 probably has a significant marketing and reputation team that
2 deals with these types of problems. I'm not sure what exactly
3 you are seeking. You could be flooded, presumably, with
4 documents related to how Nike deals with various issues as they
5 come up. So I just don't understand what exactly you would be
6 seeking here. Do you want every time that Nike concerns itself
7 with an athlete that is all of a sudden in the press and it
8 needs to decide whether it's going to distance itself or not
9 from that athlete, labor issues which come up -- not just in
10 the sweatshop context -- but in fair trade issues and global
11 trade negotiations. I assume Nike is all over the place on
12 these type of hot button issues. So I don't know what exactly
13 you would be seeking here.

14 MR. POTTER: Thank you, your Honor.

15 And I agree. We're not looking to get all of the
16 documents. We don't care and we don't want to review what Nike
17 itself thinks internally about how it's going to respond to
18 this or what its PR is going to be. What we're concerned about
19 is documents that measure public perception. In my experience,
20 corporations the size of Nike -- in addition to all of the
21 other things you just articulated that they commonly do -- they
22 track these metrics. And they presumably track them, whether
23 by design or by happenstance, before and after certain of these
24 scandals or other issues have arisen.

25 So to the extent that Nike has documents internally

MCUGnikC

1 that show that their reputation is or is not impacted. That
2 certainly seems relevant when it's their burden to show harm to
3 their reputation in this case. It certainly seems relevant for
4 us to be able to say, look at all of these other documents that
5 show that it didn't or it did or whatever the answer is, we're
6 entitled to know that and certainly to see what information
7 Nike has about public perception, measured or assessed, public
8 perception. Not someone that thought, this is going to be a
9 disaster for us, but actual metrics that measure that.

10 We have offered in our back and forth with Nike to
11 compromise and to work with them to find what is reasonably
12 accessible in this regard and to take that. And their position
13 has been, this is simply completely irrelevant. Somehow
14 they're able to plead a sterling reputation and it's our burden
15 to somehow prove that that's not the case. They need to prove
16 up their allegations. They also need to produce evidence that
17 may be relevant to disproving those allegations. That's all
18 we're seeking.

19 THE COURT: Who from the Nike side is going to tackle
20 this question?

21 MS. DUVDEVANI: Thank you, your Honor.

22 What StockX is seeking with this set of RFPs is both
23 immensely burdensome and completely irrelevant. They have not
24 demonstrated any entitlement under the law to any of this type
25 of information.

MCUGnikC

1 Let me just first start off and say -- because
2 Mr. Potter referenced Nike's counterfeit allegations -- the
3 dilution claims are addressed solely with regards to Nike's
4 NFTs. StockX, let me talk about the relevance. StockX has not
5 produced or shared a single case that supports the idea that
6 Nike is obligated to produce discovery related to public
7 perception of its company as a whole. The closest the case law
8 possibly gets is with regard to the specific products at issue;
9 NFTs to NFTs. That information regarding NFT consumer
10 complaints was discussed at the last hearing. Pursuant to your
11 Honor's order, it has been produced. There might be some
12 stragglers that we are trying to collect, but overall, all of
13 those types of issues with regard to complaints about Nike's
14 NFTs have been produced. And all the cases that StockX cited,
15 *Starbucks* and *Hilfiger*, relates to specific products, not a
16 giant company's reputation as a whole.

17 With regard to information that Nike would have that's
18 relevant, the one case that comes even close to this issue was
19 cited by Nike in its letter, *Virgin Enterprises v. American*
20 *Longevity*, where a similar argument was made against the
21 plaintiff trying to produce information regarding Virgin's
22 self-tarnishment issues. The court didn't really buy the
23 argument, but what it said was accepting the contention
24 *arguendo*, there's nothing that Virgin should be producing, but
25 this all would be information within the public domain.

MCUGnikC

1 If, for example, taking one of StockX's requests for
2 information relating to Nike's sponsorship of Lance Armstrong
3 or the suspension or termination thereof, if StockX wants to
4 assess how that somehow impacted Nike's reputation, that would
5 be in the public. That would not be in Nike's own documents.
6 And the court in *Virgin* specifically says that, it would be
7 proved through, quote, unquote, public sources.

8 The last case that they cited most recently trying to
9 support this position, the *New York Stock Exchange* case, was
10 actually reversed on appeal. And what the Second Circuit
11 clearly said is that tarnishment occurs where a trademark is
12 linked to products of shoddy quality or is portrayed in an
13 unwholesome or savory context with the result that the public
14 will associate the lack of quality or lack of prestige in
15 defendant's goods with plaintiff's unrelated good. It did not
16 confirm what the Southern District of New York did vis-a-vis
17 this theory of self-tarnishment.

18 With regard to burden, when you take a look at, just
19 for example, RFP 112, it seems like StockX decided to
20 cherry-pick seemingly bad press events like Lance Armstrong,
21 like labor practices and just decided they are just going to
22 ask Nike to try to figure out who would have information
23 related to some sort of impact on Nike's reputation on things
24 that happened potentially decades ago, in the case of Lance
25 Armstrong.

MCUGnikC

1 And I think there's something that your Honor might
2 have alluded to, Nike does a lot of cross-marketing, they work
3 with a lot of different athletes and everybody has a different
4 opinion. Some people are unhappy that Nike dropped Kyrie
5 Irving, some people think that it took them too long. Whether
6 or not the public is upset with Nike's decisions as a whole, A,
7 is not relevant to the issues in this case; B, can be
8 ascertained from public sources; and C, is just way too
9 overburdensome and not proportional to the needs of this case.
10 And frankly, your Honor, if StockX tries to make this type of
11 argument based on public information, it's going to be our
12 first motion *in limine* leading up to trial, because it is just
13 not relevant.

14 THE COURT: Hold on one second.

15 Two questions for you. Question number one is: Have
16 you searched for documents in Nike's possession related to the
17 public's perception or view of Nike's anticounterfeiting
18 efforts? Meaning whether or not there are any documents that
19 you hold that reflect its own investigation -- whether it's a
20 survey or something else -- about how Nike is doing on this
21 counterfeiting front. That's question number one.

22 And question number two is: Given that it's your
23 burden to prove that the reputation has been tarnished, how
24 does Nike intend to prove that, generally?

25 MS. DUVDEVANI: With regard to documents regarding

MCUGnikC

1 consumer perception of our counterfeiting efforts, no, your
2 Honor. We didn't specifically search that, because that's not
3 relevant to any issue in the case, including dilution. Which,
4 again, is relating to Nike's NFT claims, not Nike's
5 counterfeiting claims.

6 To the extent we have our dilution claim that we're
7 going to be advancing through summary judgment and trial, we're
8 planning on proving it the way any party typically proves it in
9 a tarnishment case, to prove that, as I cited, in Second
10 Circuit said in *New York Stock Exchange*, that Nike's trademarks
11 are being linked to StockX's NFTs, which consumers have called
12 a scam. To the extent we can establish a likelihood of
13 tarnishment based on the appropriate legal factors, that is
14 what we are going to be promoting. But this idea that it is
15 Nike's obligation to show through their own internal documents
16 that the company as a whole has a good reputation is just not
17 founded.

18 Again, to the extent StockX wants to argue that Nike
19 has a smattering of consumer complaints about its MNLTH NFT
20 having issues with the forging of those NFTs can't be shipped
21 to Europe, which is, to my understanding, the one real negative
22 consumer complaint Nike has had regarding its NFT, StockX is
23 free to make that argument, the same way that argument was
24 advanced in the *Starbucks* case about the specific product.

25 But the idea that Nike should have to produce

MCUGnikC

1 information about whether or not it has information that
2 consumers were unhappy that it worked with Lance Armstrong or,
3 frankly, whether consumers are happy or unhappy or satisfied
4 with how Nike goes about doing its own brand protection, which
5 is, again, a highly confidential issue to the company, so it's
6 not like the public would even know what Nike is doing. It's
7 just not relevant to Nike's burden on its dilution count.

8 THE COURT: Thank you.

9 Just to close the loop, you have produced documents
10 related to NFT complaints that Nike has received, those have
11 been produced?

12 MS. DUVDEVANI: Yes, your Honor. They have been
13 produced. That would be the one relevant area when it comes to
14 this idea of self-tarnishment under Second Circuit precedent.

15 THE COURT: Thank you.

16 Anything further, Ms. Duvdevani?

17 MS. DUVDEVANI: No. I was just going to put a finer
18 point on it with some of the other requests, but I think I have
19 made my point. Thank you.

20 THE COURT: Mr. Potter.

21 MR. POTTER: Thank you, your Honor.

22 Ms. Duvdevani raised a number of points that I would
23 like to try to address. First of all, as to the case law, the
24 Virgin case is completely in opposite. In that case, they
25 argue that Richard Branson himself had engaged in personal

MCUGnikC

1 conduct that he described that somehow harmed the Virgin brand
2 and they wanted to depose Mr. Branson to ask about the facts
3 behind those actions. That is completely different than what
4 we're seeking here, which is Nike's own internal existing
5 information about its brand value. It's hard for me to believe
6 that they're resisting it so strongly. How are they going to
7 prove that, as your Honor asked. In my experience, typically,
8 brands put forward evidence of the awards they've got and the
9 sales that they've got and the way that they introduced
10 products after, well received by the press.

11 I assume Nike is going to put in some sort of evidence
12 to indicate that their brand has a strong reputation. It's not
13 going to be based exclusively on NFTs. This notion that it all
14 has to be product specific, that can't be true. Dilution does
15 not require competitors. There can be instances and there have
16 been instances of dilution where the parties don't even sell
17 the same product. So it certainly can't be product based.

18 To take sort of a more recent example, perhaps -- and
19 this is really our position, I think, in a nutshell -- let's
20 consider Southwest Airlines over the last week. This has been
21 a pretty negative news cycle for Southwest. Now, if Southwest
22 was to bring a lawsuit and allege that someone's sale of NFTs
23 with images of Southwest airplanes on them was tarnishing the
24 brand, and then the defendants would receive what harm the
25 brand may have suffered from the debacle of your flight

MCUGnikC

1 cancellations during the holidays. To me, that would be
2 extraordinarily relevant. If the brand has been harmed
3 tremendously by other factors, such that something as small as
4 the allegations against StockX simply cannot move the needle
5 one way or the other, that is very relevant.

6 Going back to the case law, the *Tommy Hilfiger* case
7 makes clear, the sine qua non of tarnishment, is the finding
8 that plaintiff's mark will suffer negative associations through
9 plaintiff's use. It can't be, well, some people complained
10 about the NFTs, so therefore, Nike's brand is harmed. It has
11 to be, here's the type of things that harm Nike's brand, here's
12 the status quo of where it was, and here's what we're alleging
13 your sales of NFTs did to it. And Nike seems to want to come
14 forward and say -- without having to prove it -- our brand is
15 fantastic and not worry about any other negative associations
16 with their brand and then say -- without evidence -- the sale
17 of these NFTs that some members of the public refer to
18 negatively harmed the brand. But other members of the public,
19 to Ms. Duvdevani's point, viewed them positively, so perhaps
20 that helped Nike's brand. And all we're trying to do is test
21 that and get beyond what seems to be Nike's assumption and
22 really get into what's happening here.

23 Again, we're not seeking communications internally
24 about what Nike thought about various issues. We're seeking
25 documents that they may maintain internally about publicly

MCUGnikC

1 measured perception. So when Ms. Duvdevani talks about it is
2 going to come from the public, that's what we're seeking,
3 public information. We're not trying to depose Mr. Branson.
4 We are trying to seek existing documents that show Nike's brand
5 reputation.

6 And I don't understand Ms. Duvdevani's point that
7 somehow it's our burden to demonstrate the public perception of
8 Nike, that they don't need to produce any documents about it
9 and that if we do get documents about public perception that
10 would be the subject of a motion *in limine*. How are we
11 supposed to get in any information about Nike's reputation if
12 they won't produce it, even under the strictures that
13 Ms. Duvdevani claims are required by the law; public
14 information only, not a deposition of the CEO and then they are
15 going to move to exclude any information we found. I am
16 honestly boggled, to be perfectly honest.

17 MS. DUVDEVANI: Your Honor, if I might respond to that
18 with not a loud yelling voice.

19 Going to the *Virgin* case, regardless of the type of
20 discovery that the defendant was trying to seek, the court was
21 very clear, it didn't really buy this theory, but what it said
22 was, quote, one may readily accept that Branson's personal
23 knowledge of his personal acts and actions exceeds that of any
24 other source, but if those acts and actions have not been made
25 public, they cannot have affected public perceptions and are

MCUGnikC

1 consequently irrelevant of the issues in this case. In those
2 circumstances, defendant's determination to question Branson on
3 such matters runs the risk of harassment -- and then
4 continues -- I am confirmed in that conclusion by the fact that
5 other circumstances defendants describe that showed
6 self-dilution or self-tarnishment of Virgin's mark may also be
7 proved through public sources. If, as defendants contend,
8 plaintiff's mark has been diluted by, quote, the licensing of
9 the mark to a willy-nilly group of licensees, end quote, that
10 is readily proveable by a compilation of other uses of the
11 mark. If, as defendants contend, self-dilution should be
12 inferred from plaintiff's lack of diligence and interdicting
13 pornographic website domain names using the word Virgin until
14 just recently, end quote, the factual predicate for the
15 inference presumably remains as available to defendants at
16 trial as it was when they drafted their answer. If, as
17 defendants contend, Branson's inspired unsavory practices
18 continue today, the court then says, the availability of such
19 reading material on Virgin aircraft may be proved through
20 independent sources.

21 There is not one case that StockX has set forth or
22 that Nike has found in the Second Circuit or beyond to prove
23 entitlement by StockX to go on this fishing expedition through
24 anything that they might believe might have harmed Nike's
25 reputation over the last couple of decades. There's just no

MCUGnikC

1 support for these requests.

2 THE COURT: Thank you everybody.

3 I want to be clear that Nike does need to produce
4 documents related to complaints of NFTs. And to the extent it
5 also has documents related to perceived harm to its reputation
6 because of the NFT complaints, those documents as well need to
7 be produced. But otherwise, I'm go to sustain Nike's
8 objection. And it does not need to produce the type of
9 company-wide documents that are being sought related to its
10 reputation. I think that that material is -- the cases support
11 that that type of evidence comes from the public and public
12 sources.

13 Obviously, to the extent Nike seeks at trial to rely
14 on documents, internal documents not produced, that's a risk to
15 it, that it won't be allowed to do that. But otherwise, I
16 think the parties need to rely on public sourcing for this type
17 of information.

18 I think the last topic -- other than the financial
19 documents, which I'm going to get to last -- are the redacted
20 documents related to Nike's counterfeit presentations. And I
21 know that these are areas of concern. So can I ask the court
22 reporter to put this portion of the transcript under seal,
23 please.

24 (Pages 50 - 57 sealed)

MCUGnikC

1 THE COURT: That leaves us with the issue of the
2 financial documents. Which I appreciate we have been on the
3 call for an hour and 45 minutes already. My read on where
4 things are is that there are documents that have been produced
5 that I don't hear at this point that there is a relevance
6 objection to these financial documents and, in fact, StockX has
7 agreed to produce documents. It believes that it is not at an
8 impasse on this issue. I know from the emails with my law
9 clerks that Nike takes a different position here.

10 I guess I wonder whether or not this issue -- given
11 that production was only recently made -- should be reset for
12 next week's status letter. That's my view given sort of where
13 things stand today. But maybe I'll ask Nike to begin and tell
14 me if they think that the issues really are ripe and we should
15 address them now.

16 MS. DUVDEVANI: Yes, your Honor.

17 MR. MILLER: Your Honor, I'll start. Tamar, feel free
18 to chime in, if you like.

19 Your Honor, we do feel that the parties have reached
20 an impasse here and we would like the Court's assistance in
21 making sure that StockX produces the information that
22 essentially is basic financial information that's produced in
23 Lanham Act cases. So we served a set of requests back in
24 August and we have gotten nothing but objections and
25 essentially evasions from producing this information.

MCUGnikC

1 StockX finally relented, produced a single spreadsheet
2 with some summary numbers related to revenues and costs, but
3 none of the underlying data that they used to calculate that.
4 It frankly, to us, looks like a document that was created by a
5 damages expert, but with none of the underlying material that
6 was considered and used to create those calculations. We have
7 asked for additional documents.

8 As we noted in the letter, and as StockX noted in its
9 letter to your Honor, it produced three additional documents on
10 December 23rd; an updated version of that summary and some
11 audited financials. But this is still insufficient to provide
12 Nike with all of the information that StockX itself is
13 apparently using to calculate revenues and claim deductions
14 when it comes time for the parties to prove or for Nike to
15 prove its damages claim with respect to false advertising and
16 profit disgorgement is a remedy we're seeking. There is clear
17 case law on who has the burden on which side of that. Nike has
18 to prove up based on StockX's information the revenues that are
19 attributable to the false advertising. And StockX can claim
20 deductions from those revenues to reach a profits number.

21 We are asking for basic information that would allow
22 Nike and our expert to do our own independent analysis of both
23 revenues and costs so that we can meet our burden on the
24 revenue side and so that Nike can evaluate and challenge any
25 claimed deductions that StockX will seek to prove. And that's

MCUGnikC

1 basically where we're at. We feel, at this point, that StockX
2 has drawn this out. Again, we served these in August. We are
3 now almost in January. Fact discovery is coming to a quick
4 close, expert discovery soon after that.

5 We need to depose a StockX 30(b)(6) witness on these
6 financials to understand how they work, authenticate the
7 documents, et cetera. We just feel that StockX has essentially
8 been evading its obligations to produce this information. And
9 we have met and conferred on it on multiple occasions over the
10 last few months and we still don't have this basic information.
11 We don't understand why that is. And that's why we're coming
12 to the Court for a resolution.

13 MS. DUVDEVANI: The only thing I was going to add,
14 your Honor, is while StockX did, for some reason, do this thing
15 where they produced the documents after we submitted our
16 letter, it was a busy few days for the team and for our
17 experts, so we already did examine the additional documents
18 they felt they needed to produce, and the email that was sent
19 to your clerk does reflect our position, our researched
20 position that those documents are still insufficient to meet
21 StockX's obligations. That's all I wanted to add.

22 THE COURT: Thank you.

23 Ms. Bannigan or Mr. Potter, who is going to take the
24 lead here?

25 MS. BANNIGAN: Thank you, your Honor.

MCUGnikC

1 StockX completely disagrees with the assertion that
2 we're evading our obligations. We have been meeting and
3 conferring about the requests, about the scope of the request.
4 These requests, like many of the 243 other requests we have
5 been striving to respond to, were very broad. We met and
6 conferred. We produced the initial documents. Nike contended
7 that wasn't enough, they said. We produced what we thought was
8 a nice summary that laid everything out.

9 We went back last week and we got the CFO on the phone
10 over the holiday and said, what are the underlying documents.
11 And we picked through the categories that Nike had set out at
12 that time. We produced all of that information.

13 Ms. Duvdevani has an issue with the timing of our
14 production, that it came just after she submitted the letter.
15 Surely, she understands that it takes a while to get a
16 production ready, so it wasn't something that was purposefully
17 done on that timing. Everybody has been working very hard to
18 get information produced and these discovery disputes wrapped
19 up.

20 After that information was sent, we received an email,
21 I believe, on Wednesday of this week from Nike. Now, again,
22 moving the goal post -- which is a common theme that we have
23 seen throughout all of these negotiations -- and asking for
24 several other categories of documents. And they're frankly
25 just categories of documents tht we need to meet-and-confer

MCUGnikC

1 over.

2 For instance, we submitted the underlying information
3 from the summary chart. We submitted it in a form that is kept
4 by the client. Nike says that this isn't sufficient, StockX
5 must produce the underlying data that was maintained in the
6 ordinary course of business. Well, that would be hundreds of
7 thousands of purchase orders. Is that really what Nike wants?

8 We need to meet-and-confer about what is actually
9 reasonable to produce and what is going to be useful for them.
10 Another demand they sent to me two days ago was that StockX
11 produce a detailed account of expenses by department, and then
12 they list several departments. We don't understand the
13 relevance of that. We need to discuss, why do they need that
14 and what exactly are they looking for.

15 They also, the other day, asked for some of the
16 information regarding revenues with global information, rather
17 than US-specific. We thought that was a fair point. But we
18 have gone back to StockX's -- the people who are responsible
19 for this, and it's actually not a simple answer about what is
20 global and what is not global when you are dealing with a
21 website. Does global mean sale -- does the person have to be
22 located in the United States? Does the address have to be in
23 the United States? There are actually issues we need to
24 discuss, what they're looking for.

25 And so we have other questions about why they need a

MCUGnikC

1 chart of accounts and why they need cost allocations. Again,
2 we feel this is a constantly moving goal post. However, there
3 is absolutely no world in which StockX is attempting to evade
4 its responsibilities. But what we do need is to work with Nike
5 within reason to figure out what is reasonable to produce and
6 what do they actually need, because this is a big company we
7 are dealing with and this information is kept in a lot of ways.

8 So we are happy to continue to meet-and-confer. We do
9 need some more information from Nike, but we're hopeful that we
10 actually don't have a dispute here once we are able to discuss
11 further.

12 THE COURT: Yes, Mr. Potter.

13 MR. MILLER: Sorry, this is Mr. Miller, your Honor.

14 I just wanted to note, if your Honor would allow me, I
15 would like to note a few things in response to what
16 Ms. Bannigan raised.

17 THE COURT: Okay.

18 MR. MILLER: Which is that we strongly disagree that
19 we have moved the goal post in any way or imposed upon StockX
20 new requests. The information that was sought in our requests
21 that were served in August are basic damages-related requests
22 that happen all the time in intellectual property cases. I
23 find it very odd to hear Ms. Bannigan say she doesn't
24 understand why we are seeking information related to expenses,
25 whether those are fixed or variable expenses and cost pool

MCUGnikC

allocations. These are basic pieces of the components that StockX, as the party with the burden to prove deductions, has to produce evidence on in order to carry its burden. And Nike, as the party that will seek to challenge that, has to be able to see that as well to evaluate and respond to it. We are not moving the goal post in any way. We have been giving StockX more specific -- if they claim they don't understand what we're asking for, the purpose of our emails is to get as granular as we possibly can and tell them what it is that we are seeking.

To receive a single spreadsheet in response to these various requests for which StockX told us for months that, oh, yeah, we'll be producing this information, don't worry, it's coming, to get a single spreadsheet and then be told in a subsequent meet-and-confer that our requests were for documents sufficient to show and that a single spreadsheet is a document sufficient to show is frankly insulting. And I think, from our point of view, we do believe that the obligation to produce this information has been evaded and dragged out. It's been many months since we served these.

And we're happy to meet-and-confer and continue the discussion with StockX, but we would like a firm deadline by which this information will be produced, so that we can evaluate it with sufficient time to take a 30(b)(6) deposition before the end of fact discovery and have our experts prepare their analysis and produce their report by the affirmative

MCUGnikC

1 expert report deadlines.

2 THE COURT: Thank you.

3 I think everybody agrees now, at least generally, that
4 these underlying financial documents are required to be
5 produced. Producing just the summary document that StockX
6 began with is not sufficient. So StockX does need to respond
7 with the underlying documents. It sounds like it is open and
8 ready to do that. I agree with StockX that Nike probably
9 doesn't want order confirmation receipts for every single item
10 that was purchased and so the parties should work together to
11 figure out what is the most efficient and manageable set of
12 documents that are responsive. And I don't see why that can't
13 happen now.

14 So I want the parties to engage in those discussions
15 now. I'm going to defer any further ruling and ask for an
16 update on this issue in the January 6th letters that the
17 parties are going to be producing to me.

18 I would like the meet-and-confer process to be fully
19 completed by January 4th. It's possible that the documents
20 themselves cannot be produced by that deadline. Though, if
21 that's possible, that would be my preference too. I would like
22 the parties to fully exhaust their meet-and-confer efforts by
23 January 4th so that the parties can put the actual position
24 that they're in in the January 6th letter, so we don't have
25 another repeat of what happened here, where one side says

MCUGnikC

1 they're still engaging in the negotiation process. So the
2 parties should continue those discussions today and complete
3 them by Wednesday the 4th and present to me in the January 6th
4 letters where they are if disputes remain at that point.

5 I think I have accomplished what I set out to
6 accomplish, which is to address the discovery disputes that
7 were set forth in the December 23rd letter and sort of what
8 remained from the December 12th letters. As I indicated, I
9 didn't think I would be able to get to the December 19 letters,
10 and I stand by that position. So I will get to that either by
11 written order or address it in the subsequent conference with
12 the parties. But I think that satisfies my agenda for today.

13 Is there anything further that Nike wants to address
14 today?

15 MS. DUVDEVANI: No, your Honor. Just to thank the
16 Court for its time over a holiday period. We appreciate it.

17 THE COURT: You're welcome.

18 And anything further from StockX?

19 MS. BANNIGAN: Not right now, your Honor. Thank you
20 very much.

21 THE COURT: So I will be receiving the unredacted
22 slides with highlights of that which was redacted and a letter,
23 two-page letter from Nike by January 4th. And then I'll
24 receive letters from the parties on January 6th identifying any
25 ongoing discovery disputes. And of course, if there are none,

MCUGnikC

1 the parties are welcome to submit the joint letter saying there
2 are no disputes at this time.

3 I hope everybody enjoys their final holiday weekend
4 for the year. And thank you, again, to the court reporter for
5 her time. We are adjourned.

6 (Adjourned)

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25